



General Assembly

February Session, 2022

Raised Bill No. 5382

LCO No. 2192



Referred to Committee on INSURANCE AND REAL ESTATE

Introduced by:
(INS)

AN ACT CONCERNING THE INSURANCE HOLDING COMPANY ACT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 38a-129 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2022*):

3 (a) It shall be the purpose of sections 38a-129 to 38a-140, inclusive, to
4 safeguard the financial security of Connecticut domestic insurance
5 companies by empowering the Insurance Commissioner to supervise
6 the activities of insurance companies doing business within this state
7 which are affiliated with an insurance holding company system, to
8 review the acquisition of control over the management of domestic
9 insurance companies, however effectuated, and to provide standards
10 for such supervision and review.

11 (b) As used in sections 38a-129 to 38a-140, inclusive, the following
12 terms shall have the respective meanings hereinafter set forth, unless the
13 context shall otherwise require:

14 (1) "Affiliate" or "affiliated" has the same meaning as provided in
15 section 38a-1;

16 (2) "Commissioner" means the Insurance Commissioner and any
17 assistant to the Insurance Commissioner designated and authorized by
18 the commissioner while acting under such designation;

19 (3) "Control", "controlled by" or "under common control with" has the
20 same meaning as provided in section 38a-1;

21 (4) "Enterprise risk" means any activity, circumstance, event or series
22 of events involving one or more affiliates of an insurer that, if not
23 remedied promptly, is likely to have a material adverse effect upon the
24 financial condition or liquidity of the insurer or the insurer's insurance
25 holding company system as a whole, including, but not limited to, any
26 activity, circumstance, event or series of events that would cause an
27 insurer's risk-based capital to fall below minimum threshold levels, as
28 described in subsection (d) of section 38a-72 or, for a health care center,
29 in subdivision (2) of subsection (a) of section 38a-193, or would cause
30 the insurer to be in a hazardous financial condition;

31 (5) "Group capital calculation instructions" means the group capital
32 calculation instructions as adopted by the NAIC and as amended by the
33 NAIC from time to time in accordance with the procedures adopted by
34 the NAIC;

35 ~~[(5)]~~ (6) "Insurance holding company system" means two or more
36 affiliated persons, one or more of which is an insurance company;

37 ~~[(6)]~~ (7) "Insurance company" or "insurer" has the same meaning as
38 provided in section 38a-1, except that it does not include agencies,
39 authorities or instrumentalities of the United States, its possessions and
40 territories, the Commonwealth of Puerto Rico, the District of Columbia,
41 or a state or political subdivision of a state;

42 ~~[(7)]~~ (8) "NAIC" means the National Association of Insurance
43 Commissioners;

44 (9) "NAIC liquidity stress test framework" means the NAIC
45 publication which includes a history of the NAIC's development of

46 regulatory liquidity stress testing, the scope criteria applicable for a
 47 specific data year, and the liquidity stress test instructions and reporting
 48 templates for a specific data year, such scope criteria, instructions, and
 49 reporting template being as adopted by the NAIC and as amended by
 50 the NAIC from time to time in accordance with the procedures adopted
 51 by the NAIC;

52 [(8)] (10) "Person" has the same meaning as provided in section 38a-
 53 1, or any combination of persons so defined acting in concert;

54 (11) "Scope criteria" means the designated exposure bases along with
 55 minimum magnitudes thereof for the specified data year used to
 56 establish a preliminary list of insurers considered scoped into the NAIC
 57 liquidity stress test framework for that data year;

58 [(9)] (12) A "securityholder" of a specified person means one who
 59 owns any security of such person, including common stock, preferred
 60 stock, debt obligations and any other security convertible into or
 61 evidencing the right to acquire any of the foregoing;

62 [(10)] (13) "Subsidiary" has the same meaning as provided in section
 63 38a-1;

64 [(11)] (14) "Voting security" includes any security convertible into or
 65 evidencing a right to acquire a voting security.

66 (c) The provisions of sections 38a-129 to 38a-140, inclusive, shall
 67 apply to captive insurance companies, as defined in section 38a-91aa, as
 68 specified in section 38a-91oo.

69 Sec. 2. Subsections (g) to (o), inclusive, of section 38a-135 of the
 70 general statutes are repealed and the following is substituted in lieu
 71 thereof (*Effective July 1, 2022*):

72 (g) (1) Except as provided in subdivision (2) of this subsection, the
 73 ultimate controlling person of every insurer subject to registration shall
 74 concurrently file with the registration an annual group capital
 75 calculation as directed by the lead state commissioner of the insurance

76 holding company system. The report shall be completed in accordance
 77 with the NAIC group capital calculation instructions, which may permit
 78 the lead state commissioner to allow a controlling person that is not the
 79 ultimate controlling person to file the group capital calculation. The
 80 report shall be filed with the lead state commissioner of the insurance
 81 holding company system as determined by the lead state commissioner
 82 in accordance with the procedures within the Financial Analysis
 83 Handbook adopted by the NAIC.

84 (2) An insurance holding company system shall be exempt from filing
 85 the group capital calculation if it is:

86 (A) An insurance holding company system that has only one insurer
 87 within its holding company structure, that only writes business and is
 88 only licensed in its domestic state and assumes no business from any
 89 other insurer;

90 (B) An insurance holding company system that is required to perform
 91 a group capital calculation specified by the United States Federal
 92 Reserve Board. The lead state commissioner shall request such group
 93 capital calculation from the United States Federal Reserve Board under
 94 the terms of information sharing agreements in effect. If the United
 95 States Federal Reserve Board cannot share the calculation with the lead
 96 state commissioner, the insurance holding company system shall not be
 97 exempt from the group capital calculation filing;

98 (C) An insurance holding company system whose non-United States
 99 group-wide supervisor is located within a reciprocal jurisdiction as
 100 described in section 38a-85 that recognizes the United States regulatory
 101 approach to group supervision and group capital; or

102 (D) An insurance holding company system:

103 (i) That provides information to the lead state commissioner that
 104 meets the requirements for accreditation under the NAIC financial
 105 standards and accreditation program, either directly or indirectly
 106 through the group-wide supervisor, who has determined such

107 information is satisfactory to allow the lead state commissioner to
108 comply with the NAIC group supervision approach, as detailed in the
109 NAIC Financial Analysis Handbook; and

110 (ii) Whose non-United States group-wide supervisor that is not in a
111 reciprocal jurisdiction recognizes and accepts, as specified by the
112 commissioner in regulations adopted in accordance with the provisions
113 of chapter 54, the group capital calculation as the world-wide group
114 capital assessment for United States insurance groups who operate in
115 that jurisdiction.

116 (3) Notwithstanding subparagraphs (C) and (D) of subdivision (2) of
117 this subsection, a lead state commissioner shall require the group capital
118 calculation for the United States operations of any non-United States
119 based insurance holding company system where, after any necessary
120 consultation with other supervisors or officials, it is determined
121 appropriate by the lead state commissioner for prudential oversight and
122 solvency monitoring purposes or for ensuring competitiveness of the
123 insurance marketplace.

124 (4) Notwithstanding subparagraphs (A) and (D) of subdivision (2) of
125 this subsection, the lead state commissioner shall have the discretion to
126 exempt the ultimate controlling person from filing the annual group
127 capital calculation or to accept a limited group capital filing or report in
128 accordance with criteria as specified by the commissioner in regulations
129 adopted in accordance with the provisions of chapter 54.

130 (5) If the lead state commissioner determines that an insurance
131 holding company system no longer meets one or more of the
132 requirements for an exemption for filing the group capital calculation
133 under subdivision (2) of this subsection, the insurance holding company
134 system shall file the group capital calculation at the next annual filing
135 date unless given an extension by the lead state commissioner based on
136 reasonable grounds shown.

137 (6) The information reported and provided to the lead state
138 commissioner by an insurance holding company supervised by the

139 United States Federal Reserve Board or any United States group-wide
140 supervisor pursuant to this subsection, shall:

141 (A) Be confidential by law and privileged;

142 (B) Not be subject to disclosure under section 1-210;

143 (C) Not be subject to subpoena; and

144 (D) Not be subject to discovery or admissible in any civil action.

145 (7) The group capital calculation and resulting group capital ratio
146 required pursuant to this subsection are regulatory tools for assessing
147 group risks and capital adequacy and are not intended as a means to
148 rank insurers or insurance holding company systems generally.

149 (h) The ultimate controlling person of every insurer subject to
150 registration and also scoped into the NAIC liquidity stress test
151 framework shall file the results of a specific year's liquidity stress test to
152 the lead state insurance commissioner of the insurance holding
153 company system as determined by procedures within the Financial
154 Analysis Handbook adopted by the NAIC.

155 (1) The NAIC liquidity stress test framework includes scope criteria
156 applicable to a specific data year. These scope criteria are reviewed at
157 least annually by the NAIC Financial Stability Task Force or its
158 successor. Any change to the NAIC liquidity stress test framework or to
159 the data year for which the scope criteria are to be measured shall be
160 effective on January first of the year following the calendar year when
161 such changes are adopted. Insurers meeting at least one threshold of the
162 scope criteria shall be considered scoped into the NAIC liquidity stress
163 test framework for the specified data year unless the lead state
164 commissioner, in consultation with the NAIC Financial Stability Task
165 Force or its successor, determines the insurer should not be scoped into
166 the NAIC liquidity stress test framework for that data year. Insurers that
167 do not trigger at least one threshold of the scope criteria shall be
168 considered scoped out of the NAIC liquidity stress test framework for

169 the specified data year, unless the lead state insurance commissioner, in
170 consultation with the NAIC Financial Stability Task Force or its
171 successor, determines the insurer should be scoped into the NAIC
172 liquidity stress test framework for that data year.

173 (2) The performance of, and filing of the results from, a specific year's
174 liquidity stress test shall comply with the NAIC liquidity stress test
175 framework's instructions and reporting templates for that year and any
176 lead state insurance commissioner determinations, in conjunction with
177 the NAIC Financial Stability Task Force or its successor, provided
178 within the NAIC liquidity stress test framework.

179 (3) The information reported and provided to the lead state
180 commissioner by an insurance holding company supervised by the
181 United States Federal Reserve Board and non-United States group-wide
182 supervisor pursuant to this subsection, shall:

183 (A) Be confidential by law and privileged;

184 (B) Not be subject to disclosure under section 1-210;

185 (C) Not be subject to subpoena; and

186 (D) Not be subject to discovery or admissible in any civil action.

187 (4) The liquidity stress test along with its results and supporting
188 disclosures required pursuant to this subsection are regulatory tools for
189 assessing group liquidity risks and are not intended as a means to rank
190 insurers or insurance holding company systems generally.

191 [(g)] (i) The commissioner shall terminate the registration of any
192 insurance company that demonstrates that it no longer is a member of
193 an insurance holding company system.

194 [(h)] (j) The commissioner may require or allow two or more affiliated
195 insurance companies subject to registration hereunder to file a
196 consolidated registration statement.

197 [(i)] (k) The commissioner may allow an insurance company that is
 198 authorized to do business in this state and is part of an insurance
 199 holding company system to register on behalf of any affiliated insurer
 200 that is required to register under subsection (a) of this section and to file
 201 all information and materials required to be filed under this section.

202 [(j)] (l) Any person may file with the commissioner a disclaimer of
 203 affiliation with any insurance company and any insurance company
 204 may file a disclaimer of affiliation with any other person. The disclaimer
 205 shall fully disclose all material relationships and bases for affiliation
 206 between such person and such insurance company as well as the basis
 207 for disclaiming such affiliation. After a disclaimer has been filed, the
 208 insurance company shall be relieved of any duty to register or report
 209 under this section that may arise out of the insurance company's
 210 relationship with such person unless the commissioner disallows such
 211 disclaimer. The commissioner shall disallow such disclaimer only after
 212 furnishing all parties in interest with notice and an opportunity to be
 213 heard, and after making specific findings of fact to support such
 214 disallowance.

215 [(k)] (m) The failure to file a registration statement or any
 216 amendment, addition thereto or summary or an enterprise risk report
 217 required by this section within the time specified for such filing shall be
 218 a violation of sections 38a-129 to 38a-140, inclusive, as amended by this
 219 act.

220 [(l)] (n) The commissioner may by regulation or order exempt any
 221 insurance company or class of insurance companies from registration
 222 under this section if, in the commissioner's judgment, registration by
 223 such company or class of companies is not necessary to effectuate the
 224 purposes of said sections.

225 [(m)] (o) A foreign or alien insurer shall not be required to register
 226 pursuant to this section if it is (1) subject to disclosure requirements and
 227 standards adopted by statute or regulation in the jurisdiction of its
 228 domicile that are substantially similar to those contained in this section

229 and subsections (a), (b), (f) and (g) of section 38a-136, as amended by
230 this act, or (2) admitted in the domiciliary jurisdiction of the principal
231 insurer in its holding company system and in said jurisdiction is subject
232 to disclosure requirements and standards adopted by statute or
233 regulation that are substantially similar to those contained in this section
234 and subsections (a), (b), (f) and (g) of section 38a-136, as amended by
235 this act. The commissioner may require any authorized insurer that is a
236 member of a holding company system not subject to registration under
237 this section to furnish a copy of the registration statement or other
238 information filed by such insurance company with the insurance
239 regulatory authority of its domicile or the domicile of the principal
240 insurer in its holding company system, as the case may be.

241 [(n)] (p) (1) To assess the business strategy, financial, legal or
242 regulatory position risk exposure, risk management or governance
243 processes of a domestic insurance company registered under this
244 section that is part of an insurance holding company system that has
245 international operations, and as part of the examination pursuant to
246 section 38a-14a of such insurance company, the commissioner may
247 initiate, be a member of or participate in a supervisory college, which
248 shall be a temporary or permanent forum for communication between
249 and cooperation among state, federal and international regulatory
250 officials.

251 (2) If the commissioner initiates a supervisory college, the
252 commissioner shall (A) establish the membership of, and participation
253 by state, federal or international regulatory officials in, such supervisory
254 college, (B) establish the functions of the supervisory college and the role
255 of members and participants, and select a chairperson for such
256 supervisory college, (C) coordinate the activities of the supervisory
257 college, including meeting planning and processes for information
258 sharing that comply with the applicable confidentiality provisions set
259 forth in section 38a-137, as amended by this act, and (D) establish a crisis
260 management plan for such supervisory college.

261 (3) The commissioner may enter into written agreements with state,

262 federal or international regulatory officials for the governing of the
263 activities of a supervisory college. Any such agreements shall maintain
264 the confidentiality requirements under section 38a-137, as amended by
265 this act.

266 (4) Each insurance company subject to registration under this section
267 shall be assessed for and shall pay to the commissioner its share of the
268 reasonable costs, including reasonable travel expenses, of the
269 commissioner's participation in a supervisory college. Such payment
270 shall be in addition to any other taxes, fees and moneys otherwise
271 payable to the state. The commissioner shall establish the assessment
272 method for such costs and provide reasonable notice to each insurance
273 company subject to any such assessment.

274 (5) Nothing in this subsection shall be construed to limit the authority
275 of the commissioner to regulate an insurance company or its affiliate
276 under the commissioner's jurisdiction or to delegate any regulatory
277 authority of the commissioner to a supervisory college.

278 ~~[(o)]~~ (q) (1) As used in this subsection: (A) "Group-wide supervisor"
279 means the regulatory official (i) authorized by such official's jurisdiction
280 to conduct and coordinate group-wide supervisory activities, and (ii)
281 who is determined or acknowledged to be the group-wide supervisor of
282 an internationally active insurance group pursuant to this subsection;
283 and (B) "internationally active insurance group" means any insurance
284 holding company system that (i) includes an insurance company
285 registered pursuant to this section, and (ii) meets the following criteria:
286 (I) Premiums are written in at least three countries; (II) the percentage
287 of gross premiums written, including, for purposes of this subsection,
288 administrative service fees, associated expenses and claims payments,
289 without the United States is at least ten per cent of the insurance holding
290 company system's total gross written premiums; and (III) based on a
291 three-year rolling average, the total assets of the insurance holding
292 company system are at least fifty billion dollars or the total gross written
293 premiums of the insurance holding company system are at least ten
294 billion dollars.

295 (2) (A) The commissioner, in cooperation with other state, federal and
296 international regulatory agencies of the jurisdictions where members of
297 the internationally active insurance group are domiciled, shall
298 determine a single group-wide supervisor for an internationally active
299 insurance group. An insurance holding company system that does not
300 qualify as an internationally active insurance group may request that
301 the commissioner make a determination or acknowledgment of a group-
302 wide supervisor as set forth in this subsection.

303 (B) The commissioner may determine that the commissioner is the
304 appropriate group-wide supervisor for an internationally active
305 insurance group that conducts substantial insurance business
306 operations in this state and may act as a group-wide supervisor for any
307 internationally active insurance group in accordance with the
308 provisions of this subsection.

309 (C) The commissioner may acknowledge that the regulatory official
310 of another jurisdiction is an appropriate group-wide supervisor for an
311 internationally active insurance group that (i) does not conduct
312 substantial insurance business operations in the United States, (ii)
313 conducts substantial insurance business operations in the United States
314 but not in this state, or (iii) conducts substantial insurance business
315 operations in the United States and in this state but the commissioner
316 has determined, pursuant to the factors set forth in subdivision (3) of
317 this subsection, that the regulatory official of another jurisdiction is the
318 appropriate group-wide supervisor.

319 (D) When another regulatory official is acting as the group-wide
320 supervisor of an internationally active insurance group, the
321 commissioner shall acknowledge such official as the group-wide
322 supervisor, except that the commissioner shall make a determination or
323 acknowledgment of a group-wide supervisor for such insurance group
324 if a material change in such insurance group results in (i) the largest
325 share of such insurance group's premiums, assets or liabilities being
326 held by member insurance companies domiciled in this state, or (ii) this
327 state being the place of domicile of the top-tiered insurance company or

328 companies in such insurance group.

329 (E) A regulatory official determined or acknowledged to be a group-
330 wide supervisor of an internationally active insurance group may
331 determine, after considering the factors set forth in subdivision (3) of
332 this subsection, that it is appropriate to acknowledge another regulatory
333 official to serve as the group-wide supervisor of such insurance group.
334 Such acknowledgment shall be made (i) in cooperation with and subject
335 to the acknowledgment of other regulatory officials of the jurisdictions
336 where members of such insurance group are domiciled, and (ii) in
337 consultation with such insurance group.

338 (3) The commissioner shall consider the following factors in making
339 a determination or acknowledgment under subdivision (2) of this
340 subsection:

341 (A) The place of domicile of the member insurance companies of the
342 internationally active insurance group that holds the largest share of
343 such insurance group's premiums, assets or liabilities;

344 (B) The place of domicile of the top-tiered insurance company or
345 companies in the internationally active insurance group;

346 (C) The locations of the executive offices or the largest operational
347 offices of the internationally active insurance group; and

348 (D) Whether (i) a regulatory official of another jurisdiction is acting
349 or seeking to act as the group-wide supervisor under a regulatory
350 system the commissioner determines to be substantially similar to that
351 provided under the laws of this state or is otherwise sufficient in terms
352 of group-wide supervision, enterprise risk analysis and cooperation
353 with other regulatory officials, and (ii) such regulatory official acting or
354 seeking to act as the group-wide supervisor provides the commissioner
355 with reasonably reciprocal recognition and cooperation.

356 (4) The commissioner may collect, pursuant to section 38a-14a, from
357 any insurance company registered pursuant to this section any

358 information necessary for the commissioner to determine whether the
359 commissioner may act as the group-wide supervisor of an
360 internationally active insurance group of which such company is a
361 member or whether the commissioner may acknowledge that a
362 regulatory official of another jurisdiction should act as the group-wide
363 supervisor of such insurance group.

364 (5) Prior to issuing any determination or acknowledgment under this
365 subsection, the commissioner shall notify the member insurance
366 company registered pursuant to this section and the ultimate controlling
367 person of the internationally active insurance group of such pending
368 determination or acknowledgment. The commissioner shall provide the
369 internationally active insurance group at least thirty calendar days to
370 submit any additional information pertinent to such determination or
371 acknowledgment that is requested by the commissioner or that such
372 insurance group chooses to submit. The commissioner shall publish in
373 the Connecticut Law Journal and post on the Insurance Department's
374 Internet web site a current list of internationally active insurance groups
375 that the commissioner has determined are subject to group-wide
376 supervision by the commissioner.

377 (6) The commissioner may conduct and coordinate the following
378 group-wide supervision activities for an internationally active insurance
379 group for which the commissioner is determined to be the group-wide
380 supervisor:

381 (A) Assess the enterprise risks within the internationally active
382 insurance group to ensure that material financial conditions of and
383 liquidity risks to the members of such insurance group that are engaged
384 in the business of insurance are identified by management and that
385 reasonable and effective mitigation measures are in place;

386 (B) Request from members of such insurance group information
387 necessary and appropriate to assess enterprise risk, including, but not
388 limited to, information about governance, risk assessment and
389 management, capital adequacy and material intercompany transactions;

390 (C) Coordinate and, through the authority of the regulatory officials
 391 of the jurisdictions where members of the internationally active
 392 insurance group are domiciled, compel the development and
 393 implementation of reasonable measures designed to ensure the
 394 internationally active insurance group is able to timely recognize and
 395 mitigate material enterprise risks to the members of such insurance
 396 group that are engaged in the business of insurance;

397 (D) Communicate with other state, federal and international
 398 regulatory agencies of the jurisdictions where members of the
 399 internationally active insurance group are domiciled and share relevant
 400 information, subject to the confidentiality provisions of section 38a-137,
 401 as amended by this act, through a supervisory college, as set forth in
 402 subsection [(n)] (p) of this section;

403 (E) Enter into agreements with or obtain documentation from any
 404 member insurance company registered under this section, any other
 405 member of the internationally active insurance group and any other
 406 state, federal and international regulatory agencies of the jurisdictions
 407 where members of the internationally active insurance group are
 408 domiciled, to establish or clarify the commissioner's role as group-wide
 409 supervisor and that may include provisions for resolving disputes with
 410 other regulatory officials. No such agreement or documentation shall
 411 serve as evidence that an insurance company or person within an
 412 insurance company holding system that is not domiciled or
 413 incorporated in this state is doing business in this state or is otherwise
 414 subject to the jurisdiction of this state; and

415 (F) Other activities necessary to effectuate the group-wide
 416 supervisory purposes of this section and sections 38a-129 to 38a-140,
 417 inclusive, as amended by this act, and within the authority granted in
 418 said sections.

419 (7) If the commissioner acknowledges that a regulatory official of a
 420 jurisdiction not accredited by NAIC is the group-wide supervisor of an
 421 internationally active insurance group, the commissioner shall

422 reasonably cooperate through a supervisory college or otherwise with
 423 group supervision undertaken by such group-wide supervisor,
 424 provided such cooperation is in compliance with the laws of this state
 425 and such group-wide supervisor recognizes and cooperates with the
 426 commissioner's activities as a group-wide supervisor for other
 427 internationally active insurance groups, where applicable. The
 428 commissioner may refuse to cooperate if the commissioner determines
 429 such recognition and cooperation are not reasonably reciprocated. The
 430 commissioner may enter into agreements with or obtain documentation
 431 from any member insurance company registered pursuant to this
 432 section, any affiliate of such insurance company and any other state,
 433 federal and international regulatory agencies of the jurisdictions where
 434 members of the internationally active insurance group are domiciled, to
 435 establish or clarify such official's role as group-wide supervisor.

436 (8) The commissioner may adopt regulations, in accordance with the
 437 provisions of chapter 54, to carry out the provisions of this subsection.

438 (9) Each insurance company registered pursuant to this section shall
 439 be liable for and shall pay the reasonable expenses of the commissioner's
 440 administration of this subsection, including the engagement of the
 441 services of attorneys, actuaries and other professionals and all
 442 reasonable travel expenses.

443 Sec. 3. Section 38a-136 of the general statutes is repealed and the
 444 following is substituted in lieu thereof (*Effective July 1, 2022*):

445 (a) Transactions within an insurance holding company system to
 446 which an insurance company subject to registration under section 38a-
 447 135, as amended by this act, is a party shall be subject to the following
 448 requirements:

449 (1) The terms shall be fair and reasonable;

450 (2) [charges] Charges or fees for services performed shall be
 451 reasonable;

452 (3) [expenses] Expenses incurred and payment received shall be
 453 allocated to the insurance company in conformity with customary
 454 insurance accounting practices consistently applied;

455 (4) [the] The books, accounts and records of each party shall be so
 456 maintained as to clearly and accurately disclose the precise nature and
 457 details of the transactions, including such accounting information as is
 458 necessary to support the reasonableness of the charges or fees to the
 459 respective parties;

460 (5) [the] The insurance company's surplus shall be reasonable in
 461 relation to such company's outstanding liabilities and adequate to its
 462 financial needs; [and]

463 (6) [agreements] Agreements for cost-sharing services and
 464 management shall include such provisions as may be required by
 465 regulations adopted by the commissioner; [.]

466 (7) If an insurance company subject to sections 38a-129 to 38a-140,
 467 inclusive, as amended by this act, is determined by the commissioner to
 468 be in a hazardous financial condition as set forth in sections 38a-8-101 to
 469 38a-8-104, inclusive, of the regulations of Connecticut state agencies or
 470 a condition that would be grounds for supervision, conservation or a
 471 delinquency proceeding as set forth in chapter 704c, the commissioner
 472 may require the insurance company to secure and maintain either a
 473 deposit, held by the commissioner, or a bond, as determined by the
 474 insurance company at the insurance company's discretion, for the
 475 protection of the insurance company for the duration of the contracts or
 476 agreements, or the existence of the condition for which the
 477 commissioner required the deposit or the bond. In determining whether
 478 the bond is required, the commissioner shall consider whether concerns
 479 exist with respect to affiliates of the insurance company to fulfill the
 480 contracts or agreements if the insurance company were to be put into
 481 liquidation. Once the insurance company is determined to be in a
 482 hazardous financial condition or a condition that would be grounds for
 483 supervision, conservation or a delinquency proceeding, and a deposit

484 or bond is necessary, the commissioner may determine the amount of
 485 the deposit or bond, not to exceed the value of the contracts or
 486 agreements in any one year, and whether such deposit or bond shall be
 487 required for a single contract, multiple contracts or a contract only with
 488 a specific affiliate of the insurance company;

489 (8) All records and data of the insurance company held by an affiliate
 490 shall remain the property of the insurance company and shall be subject
 491 to control of the insurance company, identifiable, and segregated or
 492 readily capable of segregation, at no additional cost to the insurance
 493 company, from all other persons' records and data, including, but not
 494 limited to, all records and data that are otherwise the property of the
 495 insurance company, in whatever form maintained, including, but not
 496 limited to, claims and claim files, policyholder lists, application files,
 497 litigation files, premium records, rate books, underwriting manuals,
 498 personnel records, financial records or similar records within the
 499 possession, custody or control of the affiliate. At the request of the
 500 insurance company, the affiliate shall provide that the receiver can
 501 obtain a complete set of all records of any type that pertain to the
 502 insurance company's business; obtain access to the operating systems
 503 on which the data is maintained; obtain the software that runs such
 504 systems either through assumption of licensing agreements or
 505 otherwise; and restrict the use of the data by the affiliate if it is not
 506 operating the insurance company's business. The affiliate shall provide
 507 a waiver of any landlord lien or other encumbrance to give the insurance
 508 company access to all records and data in the event of the affiliate's
 509 default under a lease or other agreement; and

510 (9) Premiums or other funds that belong to the insurance company
 511 that are collected by or held by an affiliate are the exclusive property of
 512 the insurance company and shall be subject to the control of the
 513 insurance company. Any right of offset in the event an insurance
 514 company is placed into receivership shall be subject to chapter 704c.

515 (b) (1) The following transactions involving a domestic insurance
 516 company and any person in its holding company system, including

517 amendments to or modifications of affiliate agreements previously filed
518 pursuant to this section and that are subject to any materiality standards
519 specified in subparagraphs (A) to (G), inclusive, of this subdivision, may
520 not be entered into unless the insurance company has notified the
521 commissioner in writing of its intention to enter into such transaction at
522 least thirty days prior thereto, or such shorter period as the
523 commissioner may permit, and the commissioner has approved or not
524 disapproved it within such period. The written notice for such
525 amendments or modifications shall specify the reasons for the change
526 and the financial impact on the domestic insurance company. Not later
527 than thirty days after the termination of a previously filed agreement,
528 the domestic insurance company shall notify the commissioner of such
529 termination for the commissioner's determination of what written notice
530 or filing shall be required, if any:

531 (A) Sales, purchases, exchanges, loans or extensions of credit, or
532 investments, provided such transactions are equal to or exceed: (i) With
533 respect to nonlife insurance companies, the lesser of three per cent of the
534 insurance company's admitted assets or twenty-five per cent of surplus;
535 or (ii) with respect to life insurance companies, three per cent of the
536 insurance company's admitted assets; each as of the thirty-first day of
537 December next preceding;

538 (B) Loans or extensions of credit to any person who is not an affiliate,
539 where the insurance company makes such loans or extensions of credit
540 with the agreement or understanding that the proceeds of such
541 transactions, in whole or in substantial part, are to be used to make loans
542 or extensions of credit to, to purchase assets of, or to make investments
543 in, any affiliate of the insurance company making such loans or
544 extensions of credit, provided such transactions are equal to or exceed:
545 (i) With respect to nonlife insurance companies, the lesser of three per
546 cent of the insurance company's admitted assets or twenty-five per cent
547 of surplus; or (ii) with respect to life insurance companies, three per cent
548 of the insurance company's admitted assets; each as of the thirty-first
549 day of December next preceding;

550 (C) Reinsurance agreements or modifications thereto, including (i) all
 551 reinsurance pooling agreements, and (ii) agreements in which the
 552 reinsurance premium or a change in the insurance company's liabilities,
 553 or the projected reinsurance premium or a projected change in the
 554 insurance company's liabilities in any of the next three years, equals or
 555 exceeds five per cent of the insurance company's surplus, as of the
 556 thirty-first day of December next preceding, including those agreements
 557 that may require as consideration the transfer of assets from an
 558 insurance company to a nonaffiliate, if an agreement or understanding
 559 exists between the insurance company and nonaffiliate that any portion
 560 of such assets will be transferred to one or more affiliates of the
 561 insurance company;

562 (D) All management agreements, service contracts, tax allocation
 563 agreements and cost-sharing arrangements;

564 (E) Guarantees by a domestic insurance company, except that a
 565 guarantee that is (i) quantifiable as to amount, and (ii) does not exceed
 566 the lesser of one-half of one per cent of the insurance company's
 567 admitted assets or ten per cent of surplus with regard to policyholders,
 568 as of the thirty-first day of December next preceding, shall not be subject
 569 to the notice requirement of this subsection;

570 (F) Direct or indirect acquisitions or investments in a person that
 571 controls the domestic insurance company or in an affiliate of the
 572 insurance company in an amount that, together with the insurance
 573 company's present holdings in such investments, exceeds two and one-
 574 half per cent of the insurance company's surplus with regard to
 575 policyholders. This subsection shall not apply to direct or indirect
 576 acquisitions of or investments in (i) subsidiaries acquired pursuant to
 577 section 38a-102d or authorized pursuant to any section of this title other
 578 than sections 38a-129 to 38a-140, inclusive, as amended by this act, or (ii)
 579 nonsubsidiary affiliates that are subject to the provisions of sections 38a-
 580 129 to 38a-140, inclusive, as amended by this act; and

581 (G) Any material transactions, specified by regulation, that the

582 commissioner determines may adversely affect the interests of the
583 insurance company's policyholders.

584 (2) Nothing contained in this section shall be deemed to authorize or
585 permit any transactions that, in the case of an insurance company not a
586 member of the same insurance holding company system, would be
587 otherwise contrary to law.

588 (c) A domestic insurance company may not enter into transactions
589 that are part of a plan or series of like transactions with persons within
590 the insurance holding company system if the purpose of those separate
591 transactions is to avoid the statutory threshold amount and thus avoid
592 the review that would otherwise occur. If the commissioner determines
593 that such separate transactions were entered into over any twelve-
594 month period for such purpose, the commissioner may exercise
595 authority under section 38a-140.

596 (d) The commissioner, in reviewing transactions pursuant to
597 subsection (b) of this section, shall consider whether the transactions
598 comply with the standards set forth in subsection (a) of this section and
599 whether they may adversely affect the interests of policyholders.

600 (e) Except as may be exempted pursuant to regulations adopted, in
601 accordance with the provisions of chapter 54, by the commissioner or
602 otherwise waived by the commissioner, the commissioner shall be
603 notified not later than thirty days after any material investment of the
604 domestic insurance company in any one corporation if the total
605 investment in such corporation by such insurance company's insurance
606 holding company system exceeds ten per cent of such corporation's
607 voting securities.

608 (f) (1) No insurance company subject to registration under section
609 38a-135, as amended by this act, shall pay any extraordinary dividend
610 or make any other extraordinary distribution to its stockholders until
611 the commissioner has approved such payment or until thirty days after
612 the commissioner has received notice from such company of the
613 declaration thereof within which period the commissioner has not

614 disapproved such payment, whichever is sooner. For the purposes of
 615 this subsection, an extraordinary dividend or distribution is any
 616 dividend or distribution of cash or other property, whose fair market
 617 value together with that of other dividends or distributions made within
 618 the preceding twelve months, exceeds the greater of (A) ten per cent of
 619 such insurance company's surplus as of the thirty-first day of December
 620 last preceding, or (B) the net gain from operations of such insurance
 621 company, if such company is a life insurance company, or the net
 622 income, if such company is not a life insurance company, for the twelve-
 623 month period ending the thirty-first day of December last preceding,
 624 but shall not include pro rata distributions of any class of the insurance
 625 company's own securities.

626 (2) Notwithstanding any other provision of law, an insurance
 627 company may declare an extraordinary dividend or distribution that is
 628 conditional upon the commissioner's approval thereof, but such a
 629 declaration shall confer no rights upon stockholders until (A) the
 630 commissioner has approved the payment of such dividend or
 631 distribution, or (B) until thirty days after such declaration thereof within
 632 which period the commissioner has not disapproved such declaration,
 633 whichever is sooner.

634 (g) For purposes of sections 38a-129 to 38a-140, inclusive, as amended
 635 by this act, in determining whether an insurance company's surplus is
 636 reasonable in relation to the insurance company's outstanding liabilities
 637 and adequate to its financial needs, the following factors, in addition to
 638 others, shall be considered: (1) The size of the insurance company as
 639 measured by its assets, capital and surplus, reserves, premium writings,
 640 insurance in force and other appropriate criteria; (2) the extent to which
 641 the insurance company's business is diversified among the several lines
 642 of insurance; (3) the number and size of risks insured in each line of
 643 business; (4) the nature of the geographical dispersion of the insurance
 644 company's insured risks; (5) the nature and extent of the insurance
 645 company's reinsurance program; (6) the quality, diversification and
 646 liquidity of the insurance company's investment portfolio; (7) the recent
 647 past and projected future trend in the size of the insurance company's

648 surplus; (8) the surplus maintained by other comparable insurance
649 companies; (9) the adequacy of the insurance company's reserves; (10)
650 the quality of the company's earnings and the extent to which the
651 reported earnings include extraordinary items; and (11) the quality and
652 liquidity of investments in affiliates. The commissioner may discount
653 any such investment or treat any such investment as a disallowed asset
654 for purposes of determining the adequacy of surplus whenever, in the
655 commissioner's judgment, such investment warrants.

656 (h) (1) Any domestic insurance company that is affiliated with an
657 insurance holding company system shall report for informational
658 purposes to the Insurance Commissioner all dividends and other
659 distributions to securityholders, not later than five business days after
660 the declaration and at least ten days, commencing from the date of
661 receipt by the Insurance Department, prior to payment thereof.

662 (2) No dividend or other distribution may be paid when the surplus
663 of the insurance company is less than the surplus required by section
664 38a-72 for the kind or kinds of business authorized to be transacted by
665 such company, nor when the payment of a dividend or other
666 distribution would reduce its surplus to less than such amount.

667 (3) Except as otherwise provided by law, no dividend or other
668 distribution exceeding an amount equal to an insurance company's
669 earned surplus may be paid without the Insurance Commissioner's
670 prior approval. For purposes of this subsection, "earned surplus" means
671 "unassigned funds-surplus", as defined in the annual report of the
672 insurance company that was most recently submitted pursuant to
673 section 38a-53, reduced by twenty-five per cent of unrealized
674 appreciation in value or revaluation of assets or unrealized profits on
675 investments, as defined in such report.

676 (i) (1) The commissioner may require a domestic insurance company
677 of which control has been acquired pursuant to section 38a-130 to
678 submit to a financial examination and a market conduct examination
679 within thirty days after such acquisition in accordance with procedures

680 set forth by NAIC's examiner's handbook and such regulations as the
681 commissioner may adopt.

682 (2) No domestic insurance company of which control has been
683 acquired pursuant to section 38a-130 shall, without the prior approval
684 of the commissioner: (A) Pay or propose to pay any dividend during the
685 period of two years from the date of acquisition of control of such
686 insurance company; (B) acquire or enter into an agreement or
687 understanding to acquire control, during the period of three years after
688 the date of acquisition of control of such insurance company, of any
689 other person or persons whose assets exceed twenty-five million dollars;
690 (C) provide or propose to provide directly or indirectly, during the
691 period of three years after the date of acquisition of control of such
692 insurance company, any loans, advances, guarantees, pledges or other
693 financial assistance; or (D) engage in any material transaction with any
694 person during the period of three years after the date of acquisition of
695 such insurance company. For purposes of this subsection, a "material
696 transaction" shall include, but not be limited to, any transfer or
697 encumbrance of assets not in the ordinary course of business that,
698 together with all other transfers or encumbrances made within the
699 preceding twelve months, exceeds in value the greater of (i) ten per cent
700 of such insurance company's surplus as of the December thirty-first last
701 preceding, or (ii) the net gain from operations of such insurance
702 company, if such company is a life insurance company, or the net
703 investment income of such company, if such company is not a life
704 insurance company, for the twelve-month period ending the December
705 thirty-first last preceding.

706 (3) The commissioner shall, upon a written request from the
707 controlled domestic insurance company and, upon public hearing after
708 notice to all interested parties, determine whether any limitations
709 contained in subdivision (2) of this subsection shall be continued, or
710 whether and on what conditions they may be waived. Such
711 determination shall be predicated on the results of the examinations
712 under subdivision (1) of this subsection and such further examinations,
713 if any, the commissioner may require concerning the adequacy of the

714 insurance company's reserves, the effect any proposed transaction will
 715 have on the insurance company's surplus, its cash flow needs and its
 716 ability to satisfy any reasonably anticipated obligations in the
 717 foreseeable future, and any other effect the proposed transaction would
 718 have on the financial stability or solvency of the insurance company and
 719 the quality and liquidity of its assets. All fees and expenses relating to
 720 such examinations shall be paid by the insurance company.

721 (4) Nothing in this subsection shall be interpreted to prohibit any
 722 transactions between a domestic insurance company and any of its
 723 subsidiaries in the ordinary course of business.

724 (j) (1) Any affiliate that is a party to an agreement or contract with a
 725 domestic insurance company that is subject to subparagraph (D) of
 726 subdivision (1) of subsection (b) of this section shall be subject to the
 727 jurisdiction of any order of rehabilitation or liquidation against the
 728 insurance company and to the authority of any rehabilitator or
 729 liquidator for the insurance company appointed pursuant to chapter
 730 704c, for the purpose of interpreting, enforcing and overseeing the
 731 affiliate's obligations under the agreements or contracts to perform
 732 services for the insurance company that:

733 (A) Are an integral part of the insurance company's operations,
 734 including, but not limited to, management, administration, accounting,
 735 data processing, marketing, underwriting, claims handling, investment
 736 or any other similar functions; or

737 (B) Are essential to the insurance company's ability to fulfill its
 738 obligations under insurance policies.

739 (2) The commissioner may require that an agreement or contract
 740 pursuant to subparagraph (D) of subdivision (1) of subsection (b) of this
 741 section for provisions or services set forth in subparagraphs (A) and (B)
 742 of subdivision (1) of this subsection specify that the affiliate consents to
 743 the jurisdiction described in subdivision (1) of this subsection.

744 Sec. 4. Section 38a-137 of the general statutes is repealed and the

745 following is substituted in lieu thereof (*Effective July 1, 2022*):

746 (a) All information, documents, materials and copies thereof obtained
747 by or disclosed to the commissioner or any other person in the course of
748 an examination or investigation made pursuant to section 38a-14a and
749 all information reported, furnished or filed pursuant to sections 38a-131,
750 38a-135, as amended by this act, and 38a-136, as amended by this act,
751 shall (1) be confidential by law and privileged, (2) not be subject to
752 disclosure under section 1-210, (3) not be subject to subpoena, and (4)
753 not be subject to discovery or admissible in evidence in any civil action.
754 The commissioner shall not make such information, documents,
755 materials or copies public without the prior written consent of the
756 insurance company to which it pertains unless the commissioner, after
757 giving the insurance company and its affiliates who would be affected
758 thereby notice and opportunity to be heard, determines that the interests
759 of policyholders, securityholders or the public will be served by the
760 publication thereof, in which event the commissioner may publish all or
761 any part thereof in such manner as the commissioner may deem
762 appropriate. The commissioner may use such information, documents,
763 materials or copies in the furtherance of any regulatory or legal action
764 brought as part of the commissioner's official duties.

765 (b) Neither the commissioner nor any person who receives
766 information, documents, materials or copies as set forth in subsection
767 (a) of this section or with whom such information, documents, materials
768 or copies are shared, while acting under the authority of the
769 commissioner, shall testify or be required to testify in any civil action
770 concerning such information, documents, materials or copies.

771 (c) Except as specified in subdivision (2) of subsection (f) of section
772 38a-135, as amended by this act, to assist the commissioner in the
773 performance of the commissioner's duties, the commissioner:

774 (1) May share information, documents, materials or copies thereof,
775 including information, documents, materials or copies deemed
776 confidential and privileged pursuant to subsection (a) of this section,

777 with (A) other state, federal and international regulatory officials, (B)
 778 the NAIC [or its affiliate or subsidiaries] and any third-party consultants
 779 designated by the commissioner, (C) the International Association of
 780 Insurance Supervisors, (D) the Bank for International Settlements, (E)
 781 the Federal Insurance Office, (F) state, federal and international law
 782 enforcement authorities, and (G) members or participants of a
 783 supervisory college, as described in subsection [(n)] (p) of section 38a-
 784 135, as amended by this act, of which the commissioner is a member or
 785 a participant, provided the recipient of any such information,
 786 documents, materials or copies agrees, in writing, to maintain the
 787 confidentiality and privileged status of such information, documents,
 788 materials and copies, and has verified, in writing, the recipient's legal
 789 authority to maintain confidentiality;

790 (2) May receive information, documents, materials or copies thereof,
 791 including confidential and privileged information, documents,
 792 materials or copies, from the NAIC [or its affiliates or subsidiaries] and
 793 any third-party consultants designated by the commissioner, the
 794 International Association of Insurance Supervisors, the Bank for
 795 International Settlements, the Federal Insurance Office, or state, federal
 796 and international law enforcement authorities. The commissioner shall
 797 maintain as confidential and privileged any information, documents,
 798 materials or copies received with notice or the understanding that such
 799 information, documents, materials or copies are confidential and
 800 privileged under the laws of the jurisdiction that is the source of such
 801 information, documents, materials or copies; and

802 (3) Shall enter into written agreements consistent with this subsection
 803 with the NAIC and any third-party consultants designated by the
 804 commissioner, and may enter into written agreements consistent with
 805 this subsection with the International Association of Insurance
 806 Supervisors or the Bank for International Settlements, governing the
 807 sharing and use of information, documents, materials or copies thereof
 808 shared or received pursuant to sections 38a-129 to 38a-140, inclusive, as
 809 amended by this act. Any such agreement consistent with this
 810 subsection shall (A) specify the procedures and protocols regarding the

811 confidentiality and security of information shared (i) with the NAIC [or
 812 its affiliates or subsidiaries] or a third-party consultant designated by
 813 the commissioner, the International Association of Insurance
 814 Supervisors or the Bank for International Settlements pursuant to
 815 sections 38a-129 to 38a-140, inclusive, as amended by this act, and (ii) by
 816 the NAIC [or its affiliates or subsidiaries] or a third-party consultant
 817 designated by the commissioner, the International Association of
 818 Insurance Supervisors or the Bank for International Settlements with
 819 other state, federal or international regulatory officials, (B) provide that
 820 the recipient agrees in writing to maintain the confidentiality and
 821 privileged status of the documents, materials or other information and
 822 has verified in writing the recipient's legal authority to maintain such
 823 confidentiality or privilege, (C) specify that the commissioner shall
 824 retain ownership of such information and that the use of such
 825 information by the NAIC [or its affiliates or subsidiaries] or a third-party
 826 consultant, the International Association of Insurance Supervisors or the
 827 Bank for International Settlements is subject to the commissioner's
 828 discretion, [(C)] (D) excluding documents, material or information
 829 reported pursuant to subsection (h) of section 38a-135, as amended by
 830 this act, prohibit the NAIC or third-party consultant designated by the
 831 commissioner from storing such information shared pursuant to
 832 sections 38a-129 to 38a-140, inclusive, as amended by this act, in a
 833 permanent database after the underlying analysis is completed, (E)
 834 require prompt notice to be given to an insurance company whose
 835 confidential information is in the possession of the NAIC or [its affiliates
 836 or subsidiaries] a third-party consultant designated by the
 837 commissioner, the International Association of Insurance Supervisors or
 838 the Bank for International Settlements, if the NAIC or [its affiliates or
 839 subsidiaries] a third-party consultant designated by the commissioner,
 840 the International Association of Insurance Supervisors or the Bank for
 841 International Settlements is subject to a request or subpoena for
 842 disclosure or production of such information, [and (D)] (F) require the
 843 NAIC or [its affiliates or subsidiaries] a third-party consultant
 844 designated by the commissioner, the International Association of
 845 Insurance Supervisors or the Bank for International Settlements, if any

846 said entity [or such affiliate or subsidiary] is subject to disclosure of an
 847 insurance company's confidential information that has been shared with
 848 said entity, [or such affiliate or subsidiary,] to allow such insurance
 849 company to intervene in any judicial or administrative action regarding
 850 such disclosure or information, and (G) for documents, material or
 851 information reported pursuant to subsection (h) of section 38a-135, as
 852 amended by this act, in the case of an agreement involving a third-party
 853 consultant, provide for notification of the identity of the consultant to
 854 the applicable insurer.

855 (d) No waiver of any applicable privilege or claim of confidentiality
 856 in any information, documents, materials or copies thereof shall occur
 857 as a result of disclosure to the commissioner or of sharing in accordance
 858 with this section. Nothing in this section shall be construed to delegate
 859 any regulatory authority of the commissioner to any person or entity
 860 with which any information, documents, materials or copies thereof
 861 have been shared.

862 (e) Any information, documents, materials or copies thereof in the
 863 possession of the NAIC or [its affiliates or subsidiaries] a third-party
 864 consultant designated by the commissioner, the International
 865 Association of Insurance Supervisors or the Bank for International
 866 Settlements pursuant to this section shall be confidential by law and
 867 privileged and shall not be subject to discovery or admissible in
 868 evidence in any civil action in this state.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2022	38a-129
Sec. 2	July 1, 2022	38a-135(g) to (o)
Sec. 3	July 1, 2022	38a-136
Sec. 4	July 1, 2022	38a-137

Statement of Purpose:

To adopt the most recent amendments made by the National Association of Insurance Commissioners to the Model Insurance Holding Company Act regarding group capital calculation.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]